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STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Mark J. Hashem, Chair  
and Members of the House Committee on Housing

Date: Monday, March 16, 2015

Time: 8:30 A.M.

Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 971, S.D. 1, Relating to Taxation

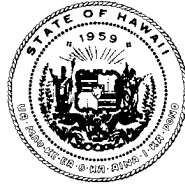
The Department of Taxation (Department) appreciates the intent of S.B. 971, S.D. 1 and provides the following comments for your consideration. The Department defers to the Hawaii Housing Finance and Development Corporation (HHFDC) on the merits of this bill.

S.B. 971, S.D. 1 requires that certain eligible housing projects remain affordable for set minimum periods of time in order for a taxpayer to be certified as exempt from the General Excise Tax (GET). The measure takes effect on July 1, 2016, and applies to projects with an initial certification date after June 30, 2016.

The Senate Committee on Human Services and Housing amended this measure by deleting its contents and replacing them with the contents of S.B. 1075, a similar Administration measure. The change ensures that newly constructed eligible housing projects remain affordable for thirty years from the date of issuance of the certificate of occupancy rather than thirty years from the date as set forth in the regulatory agreement, since new construction requires substantial time for completion and use of the date as set forth in the regulatory agreement would cause the actual period required to fall substantially short of thirty years.

Under section 201H-36, Hawaii Revised Statutes, HHFDC certifies that a housing project is entitled to the GET exemption, and upon such certification, a taxpayer is entitled to claim the GET exemption. As the regulatory agreements and the determination of whether a taxpayer is eligible for the exemption remain with HHFDC, this measure will not have a substantial administrative impact on the Department.

Thank you for the opportunity to provide comments.



**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON HOUSING**

March 16, 2015 at 8:30 a.m.  
State Capitol, Room 329

In consideration of  
**S.B. 971, S.D. 1**  
**RELATING TO TAXATION.**

HHFDC supports S.B. 971, S.D. 1. This bill is substantially similar to H.B. 906, H.D. 1, an Administration bill previously heard by this Committee.

Presently, there is no minimum statutory affordability term required of rental projects under Section 201H-36, Hawaii Revised Statutes. Most rental projects are developed with assistance from HHFDC in the form of financing assistance, 201H exemptions, or the provision of land, and are thereby subject to regulatory agreements which dictate the level and terms of affordability. However, there may be projects that are constructed without governmental assistance that seek GET exemptions from HHFDC for construction.

S.B. 971, S.D. 1 would clarify that affordable rental projects must remain affordable for specified minimum periods of time, as follows:

- For moderate rehabilitation, five years;
- For substantial rehabilitation, ten years; and
- For new construction, thirty years.

This would ensure that any improvements to the project that are exempted from GET will accrue to the benefit of lower income households for a reasonable period of time.

Thank you for the opportunity to testify.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: GENERAL EXCISE, Rental housing project qualifications for tax exemption

BILL NUMBER: SB 971, SD-1

INTRODUCED BY: Senate Committee on Human Services and Housing

EXECUTIVE SUMMARY: Requires a rental housing project with a general excise tax exemption to enter into a regulatory agreement with the Hawaii housing finance and development corporation (HHFDC) to qualify for the tax exemption. Establishes terms for the agreements for each type of project.

BRIEF SUMMARY: Amends HRS section 210H-36 to require a rental housing project with a general excise tax exemption to enter into a regulatory agreement with the HHFDC as a qualification for the tax exemption as follows: (1) for moderate rehabilitation projects, a minimum term of five years; (2) for substantial rehabilitation projects, a minimum term of ten years; and (3) for new construction projects, a minimum term of thirty years from the date of the certificate of occupancy.

EFFECTIVE DATE: July 1, 2016; applicable to projects initially certified after June 30, 2016

STAFF COMMENTS: . This measure would add more qualifications for each rental housing project to ensure such projects are in compliance in order to continue to receive a general excise tax exemption under HRS section 237-29.

As amended by the Senate Human Services and Housing Committee, the current bill has the same contents as the Administration bill BED-09(15) that was introduced as SB 1075/HB 906.

Digested 2/27/15

jordan3-Kevin

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From: mailinglist@capitol.hawaii.gov  
Sent: Friday, March 13, 2015 11:29 AM  
To: HSGtestimony  
Cc: dkk@hawaiiantel.net  
Subject: Submitted testimony for SB971 on Mar 16, 2015 08:30AM

**SB971**

Submitted on: 3/13/2015

Testimony for HSG on Mar 16, 2015 08:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Deborah Kimball	Individual	Support	No

Comments: As a tenant who has faced loss of two Section 8 projects, I urge you to pass this bill. Mahalo.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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jordan3-Kevin

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From: mailinglist@capitol.hawaii.gov  
Sent: Saturday, March 14, 2015 4:20 PM  
To: HSGtestimony  
Cc: jamesjtz@aol.com  
Subject: Submitted testimony for SB971 on Mar 16, 2015 08:30AM

**SB971**

Submitted on: 3/14/2015

Testimony for HSG on Mar 16, 2015 08:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
James Gauer	Individual	Support	No

Comments: This will help private non-profit organizations sponsor qualified home rehabilitation projects with the trade-off of the G.E.T. to other important expenses agreed upon by the corporation and organization.

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